

**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA  
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
MONTGOMERY COUNTY, INDIANA  
July 1, 2022 to June 30, 2024



**FILED**

03/13/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Kristin Charles	07-01-22 to 06-30-25
Superintendent of Schools	Dr. Chad Cripe (Vacant) Dr. Karrie Milner (interim) Dr. Stephanie Hofer	07-01-22 to 10-06-23 10-07-23 to 11-12-23 11-13-23 to 06-30-24 07-01-24 to 06-30-25
President of the School Board	Daryl Hutson	07-01-22 to 06-30-25



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State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE SOUTH MONTGOMERY COMMUNITY  
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

This report is supplemental to the audit report of the South Montgomery Community School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

March 5, 2025

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The School Corporation had not established effective internal controls over the information submitted in the AFR, which resulted in the following errors:

*Capital Assets*

The Schedule of Capital Assets reported in the AFR could not be substantiated due to the School Corporation not maintaining a complete listing of all capital assets. The School Corporation provided an insurance listing of assets, but the listing did not include the historical value of the assets. The financial reporting framework utilized by the School Corporation includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the School Corporation. The School Corporation has elected not to present the Schedule of Capital Assets.

*Grants Schedule*

The grant schedule within the AFR included the following errors:

- The COVID-19 - Education Stabilization Fund was understated by \$243,278 for fiscal year 2023-2024.
- The Child Nutrition Cluster expenditures were understated by \$145,539 and \$83,913 for 2022-2023 and 2023-2024, respectively.
- Four other grants had individual errors that resulted in total understatements of expenditures of \$115,418.
- Other errors included incorrect program names, federal assistance listings numbers, and identifying numbers.

The submitted information is used to generate the Schedule of Expenditures of Federal Awards (SEFA) included in the Federal Compliance Audit Report of the School Corporation. Therefore, these errors were also presented in the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA and to the grant schedule within the AFR.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

### **AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS**

#### *Condition and Context*

Internal controls were not in place in order to ensure required documentation for inclusion in the School Corporation's ADM counts were maintained. The School Corporation did not follow its own Verification of Residency for Membership Policy and ensure proof of residency documentation was retained for audit for all students reported in its ADM counts submitted to the Indiana Department of Education throughout the audit period. We conducted tests of both the School Corporation's in-person (Brick and Mortar) students and its Virtual program (Virtual) students.

#### *Brick and Mortar*

The School Corporation was unable to provide proof of Indiana residency documentation for 6 of 28 students tested.

#### *Virtual*

A total of 4 virtual status students were tested; however, there were only 2 unique individuals that made up the 4 reported virtual students. The School Corporation was unable to provide proof of Indiana residency documentation for each of the 2 students.

#### *Criteria*

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SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

## **CAPITAL ASSETS**

### *Condition and Context*

The School Corporation had not established effective internal controls over capital assets. The School Corporation provided a listing of assets from its insurance company; however, the listing did not include the acquisition value of the assets.

### *Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

Internal controls were not in place to ensure the School Corporation's Prepaid School Lunch Accounts fund, Fund 8400, was in agreement with the subsidiary records of the student and adult accounts for fiscal years 2022-2023 and 2023-2024. Subsidiary records of the student and adult accounts reflected balances of \$176,486 and \$251,393 as of June 30, 2023, and June 30, 2024, respectively. The Prepaid School Lunch Accounts fund balances were \$171,908 and \$260,382 as of June 30, 2023, and June 30, 2024, respectively.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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The SBOA opinion is that money a student puts into their individual meal account (prepaid food account) should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account, the balance should not be included in the School Lunch fund. It is required that the School Corporation set up a Prepaid School Lunch Accounts fund clearing account. When a student brings in a deposit the receipt would be recorded to the Prepaid School Lunch Accounts fund. Periodically, after the student has charged meals, the School Corporation should disburse the amount charged from the Prepaid School Lunch Accounts fund and receipt it into the School Lunch fund. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the Prepaid School Lunch Accounts fund should be reconciled with the total of the individual meal accounts. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2025, with Kristin Charles, Chief Financial Officer; Dr. Stephanie Hofer, Superintendent of Schools; Wendy Myers, Assistant Superintendent of Schools; and Daryl Hutson, President of the School Board.